'08 Annual '09 Report

Alcohol and Gaming Commission of Ontario
2008–2009 Annual Report

AGCO | Alcohol and Gaming Commission of Ontario

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Ontario

Alcohol and Gaming Commission of Ontario
2008–2009 Annual Report

MEMORANDUM TO: The Honourable Ted McMeekin
Minister of Consumer Services

FROM: David C. Gavsie
Chair
Alcohol and Gaming Commission of Ontario

I am pleased to present the Alcohol and Gaming Commission of Ontario's Annual Report covering the period April 1, 2008 to March 31, 2009.

David C. Gavsie
Chair

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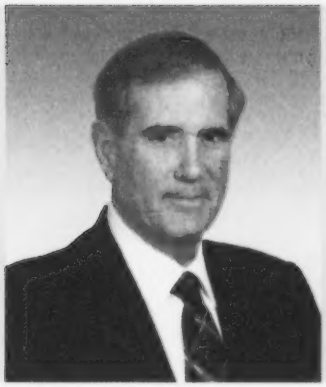
MESSAGE FROM THE CHAIR

"...as always, the AGCO strives to operate in a way that is transparent, accountable and in the public interest."



DAVID C. GAVSIE

During fiscal year 2008–09, the Alcohol and Gaming Commission of Ontario (AGCO) took further steps in its integrated approach to refocusing decision-making based upon risk assessments, enhanced level of information on which to base a decision, and a compliance (rather than an "enforcement") regulatory model.

RISK-BASED LICENSING

Risk-based licensing was implemented in July 2008 to enhance compliance with the law during the life-cycle of a liquor licence, and to provide a reduction in administrative burdens to those licensees that pose a lower risk. In contrast to the previous system of liquor licensing, risk-based licensing allows for a defined, comprehensive assessment of the risks posed by a licensee and will use conditions to assist the licensee in maintaining compliance with the law.

The ability of the Registrar of Alcohol and Gaming (the Registrar) to be able to attach appropriate conditions to the liquor sales licence is a key provision of risk-based licensing. The Board of the AGCO pre-approved a number of conditions to be used by the Registrar at his discretion. The conditions are general, flexible and comprehensive in nature, and specific, and will be used to mitigate the individual risks presented by different licensees as required. As the risks presented by a licensee change over time, the risk-based licensing system must be adaptable and have the conditions available to address the change in risk. For example, a nightclub with inexperienced management presents a different risk profile than a nightclub with experienced management. In the first instance, several conditions to assist the nightclub in maintaining compliance with the law may be attached to the licence. Over time, as the management gathers more experience, there are no infractions of the law and the circumstances change, the risk profile of the nightclub may change and the conditions may be altered to address this change in circumstance.

MONETARY PENALTIES

The aim of monetary penalties is to create an additional and valuable regulatory oversight tool for the AGCO, particularly with regards to ensuring compliance with both the *Liquor Licence Act* (LLA) and the *Gaming Control Act* (GCA). The availability of monetary penalties will complement the other compliance tools available to the AGCO and is an important component of a risk-based licensing and enforcement system. A fair, effective and graduated compliance structure, which includes monetary

penalties, will be used to better link discipline with the risks posed by a licensee or a registrant.

The Board established guidelines which the Registrar shall follow when considering whether to impose a monetary penalty. A schedule of monetary penalties was established by the Board and approved by the Minister of Government Services setting out eligible offences, including the maximum amount of the penalty for each offence. Serious offences under the LLA and Regulations are not eligible for a monetary penalty. These include serving intoxicated patrons, serving minors and permitting narcotics.

With the overall goal being increased compliance, the Board of the AGCO focused on adopting schedules of monetary penalties which would let licensees or registrants know, in appropriate circumstances, that they need to move into compliance with the law before a suspension or revocation is imposed. Furthermore, the monetary penalties approved by the Board for both the LLA and GCA were designed to correspond with their gravity and potential severity in comparison with one another, as well as reflect the specific risks that attach to each.

INCREASING EDUCATIONAL PROGRAMMING FOR LICENSEES AND REGISTRANTS

The fund created by the collection of monetary penalties will fulfill a broader public interest role by providing the necessary resources for stakeholder and public education in the areas of responsible gaming and liquor service. This proactive and preventative enhancement will encourage a greater understanding of the regulatory requirements by industry stakeholders, as well as the responsibilities of the public-at-large, creating an environment generally more conducive to regulatory compliance.

REGULATORY REFORM

The government of Ontario has made a commitment to modernize the legislative frameworks related to the alcohol and gaming sectors with a view to modernizing these industries to reflect changing societal values. However, any reforms must take into consideration three important elements: public safety, consumer choice and improved service delivery for stakeholders and the public.

Amongst the major regulatory projects initiated in 2008–09 was the reform of the Special Occasion Permit (SOP) program, which has not been significantly updated or revised since 1990. An SOP allows a permit holder to legally purchase alcohol from an authorized government store (for example, LCBO, The Beer Store, winery retail store) for the sale, service and consumption at an event held under that permit. In this way, an SOP provides a permit holder with the opportunity to host a reception or event outside of his or her own home without being compelled to use a licensed establishment, thus allowing such events to be hosted at a lower cost. While SOPs were originally intended for significant life events, such as weddings, the program has evolved over the years to cover events that were not specifically contemplated at the time the program was first created, such as large scale public fundraising events organized by charitable or community-based organizations. As a result, it is timely for this program to be re-examined with a view to making it more relevant to Ontario needs.

CORPORATE ACCOUNTABILITY

As always, the AGCO strives to operate in a way that is transparent, accountable and in the public interest. Corporate oversight to the operations of the AGCO is in part provided through three standing AGCO Board committees: the Policy and Procedures, Finance and Audit, and Education and Public Affairs committees. The committees meet monthly and provide oversight of, among other things, financial stewardship, use of funds from monetary penalties and overall strategic direction on broader policy issues affecting the agency. AGCO operations are also subject to review and audit by the provincial government.

David C. Gavsie
Chair

MESSAGE FROM THE C.E.O.

"...the AGCO continued to implement changes to the agency's operational framework in order to support more effective and efficient regulation of both the liquor and gaming sectors."

JEAN MAJOR

Over the course of 2008–09, the AGCO continued to implement changes to the agency's operational framework in order to support more effective and efficient regulation of both the liquor and gaming sectors.

On the liquor side, the AGCO's activities furthered the agency's move from an enforcement-based to a compliance-based operational framework. New programs have enabled the AGCO to work more closely with liquor sales licensees to help them to become and/or remain compliant with provincial laws governing the service and sale of beverage alcohol, and thus enhance public safety in Ontario.

With regards to gaming in the past year, the AGCO has continued to focus on the bingo sector, as well as completing the first full year of regulatory activities with regards to lottery retailers. We also created a Centre for Gaming Excellence to better meet the challenges ahead as well as our regulatory objectives.

ALCOHOL

With regards to the regulation of liquor sales licensees, the AGCO introduced three new programs in regards to the sale and service of alcohol while also working cooperatively with licensees to achieve compliance.

Risk-Based Licensing

Although the vast majority of liquor sales licensees operate in a responsible manner, risk-based licensing is a new approach which allows the AGCO to encourage good business practices and strategically focus agency resources where they will be most effective. It operates from the premise that although there is inherent risk in the sale and service of alcohol, some establishments, by virtue of their type, history and/or the background and experience of the owner(s), may present more risk of non-compliance with the law than others.

Risk-based licensing allows the AGCO to review each establishment and licensee on a broad and well-defined set of criteria to determine specific risks that might exist, and then assist these licensees in remaining compliant with the law by applying conditions or requiring them to submit plans to mitigate the identified risk, and/or having liquor inspectors attend the establishment more frequently.

Phase One of the implementation of risk-based licensing became operational in July 2008 (new

liquor sales licence applications only), and included all licensed establishments in 11 Ontario municipalities. Effective January 2009, risk-based licensing applied to licence transfers and changes (for example, addition of a patio or change to capacity). Looking forward to 2009–10, the program will be extended to include renewals in the Phase One municipalities, and then will expand to include all types of liquor sales licensing applications across Ontario.

Monetary Penalties

A monetary penalties system applicable to all types of liquor licensees, as well as gaming registrants, took effect on January 1, 2009. This additional compliance tool, which has received strong support from the widest range of stakeholder groups, now provides increased flexibility to the AGCO to impose a monetary penalty for an infraction where a suspension of a licence or registration may be considered too harsh. It also allows the AGCO to work with licensees and registrants before a significant suspension or revocation may be necessary.

The penalties are assessed from within a defined range for each type of infraction. Monetary penalties, however, will not replace the ability to suspend or revoke a licence or registration where appropriate, and some serious offences will still only be subject to a suspension or a revocation.

The revenue collected through the imposition of monetary penalties can only be used for stakeholder and public education. This revenue will enable the AGCO to enhance its educational programming for liquor sales licensees through the creation of a public affairs program.

Creation of a Public Affairs Program

The AGCO has been steadily increasing its outreach and educational programming to both liquor and gaming stakeholders to assist them in better understanding the laws and regulations relevant to their businesses. This expanded outreach will be enabled in large part through the collection of monetary penalties, as these funds are required to be redirected to the licensees and registrants through education and awareness programs.

The first phase of the public affairs program focuses on outreach to liquor sales licensees. To date, the AGCO's public affairs program includes the development and widespread distribution of two new publications aimed at liquor sales licensees and their staff, a series of regional seminars on the liquor laws and the obligations of licensed establishments, and a licensee information kit which includes a variety of educational materials on issues which commonly affect licensed establishments.

GAMING

The health and viability of the charitable gaming industry, which generates funds for countless charities across Ontario, is a priority for the AGCO. Through 2008–09, the agency focused on a key initiative to strengthen this sector.

Review of the Bingo Revenue Model

May 2008 marked the first year of the new bingo revenue model for pooling bingo halls, which was introduced in an effort to stabilize charitable gaming and provide opportunities to grow the business. A comprehensive financial analysis of the results from halls by an independent consultant indicates that the model is achieving the desired results.

The AGCO will continue to work regularly with representatives of bingo halls and respective charity associations to further develop tools to help the industry, especially the Ontario Bingo Development Fund which will focus on foundation pieces for marketing and advertising across the province. Through the Fund, market research has been carried out to better understand the market potential and what players and potential players want and expect from bingo halls. In addition, the Fund enabled a successful Bingo Night in Ontario in November 2008, which involved the participation of most halls across the province to drive attendance and interest in bingo.

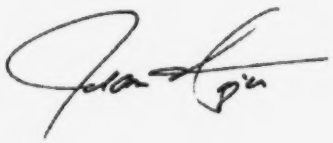
Regulating Government Lotteries

On January 1, 2009, the AGCO marked its first full year as the regulator of Ontario government lotteries. Due in large part to the tremendous efforts made by AGCO staff to incorporate this additional line of business into the agency's workload, the program has run very smoothly. From re-registering some 11,000 lottery retailers to instituting a lottery inspection regime, the AGCO was able to work with both lottery retailers and the Ontario Lottery and Gaming Corporation to increase consumer confidence in this area. Additionally, the AGCO carried out 31 free lottery retailer compliance sessions through Fall 2008 in 22 communities which were attended by more than 1,000 lottery retailers and key accounts (major grocery and pharmacy chains, etc.).

Centre for Gaming Excellence

The gaming marketplace has seen substantive changes in the past few years, and continues to evolve at a rapid pace. The AGCO's new Centre for Gaming Excellence was created in November 2008 specifically to develop regulatory best practices and gaming expertise across all gaming business lines (commercial gaming, charity gaming and lotteries) so that the AGCO will be on the leading edge of effective gaming regulations and management.

The AGCO looks forward to continuing our efforts to modernize the liquor and gaming regulatory frameworks in Ontario.



Jean Major
Chief Executive Officer

OVERVIEW & KEY ACTIVITIES

The Alcohol and Gaming Commission of Ontario is a regulatory agency with a governing board established February 23, 1998 under the *Alcohol and Gaming Regulation and Public Protection Act, 1996.*

The AGCO also has an adjudicative role where the Board of Directors of the AGCO holds hearings under applicable legislation, including public interest hearings.

Vision

A leader in the alcohol and gaming sectors through effective regulation and services that are fair, responsive and in the broader public interest.

Mandate

To regulate the alcohol and gaming sectors in accordance with the principles of honesty and integrity, and in the public interest.

Mission

The AGCO commits to conducting business in a manner that will:

- Develop, implement and enforce fair policies and procedures.
- Establish a framework of critical regulatory controls in the public interest that are sensitive to the economic viability of the alcohol and gaming industries.
- Create a supportive work environment that respects and values AGCO staff contributions and provides them with opportunities for growth and professional achievement.
- Be client focused in the way we respond and manage client and stakeholder needs.

KEY ACTIVITIES:

The AGCO is responsible for the administration of the following:

- *Liquor Licence Act*;
- *Wine Content and Labelling Act, 2000*;
- *Liquor Control Act [Section 3(1)b, e, f, g and 3(2)a)*;
- *Gaming Control Act, 1992*;
- *Lottery Licensing Order-in-Council 1413/08*; and
- *Alcohol and Gaming Regulation and Public Protection Act, 1996*.

The administration of these Acts and the Order-in-Council involves the following core activities:

Regulating Ontario's Alcohol and Gaming Sectors

- Licensing and regulating Ontario's establishments that sell or serve liquor, liquor delivery services, liquor manufacturers, their agents and agents of foreign manufacturers, and ferment-on-premise facilities, as well as administering the Special Occasion Permit program, delivered through designated Liquor Control Board of Ontario (LCBO) retail stores.
- Authorizing manufacturers' retail stores, which include on-site and off-site winery retail stores, on-site distillery retail stores and brewery retail stores, and Brewers Retail Inc. stores ("The Beer Store").
- Registering commercial suppliers and gaming employees of charitable gaming events, casinos, charity casinos, and slot operations at racetracks.
- Administering the regulatory framework governing the issuance of charity lottery licences (e.g., bingo, raffle, and break open ticket events).
- Licensing games of chance at fairs and exhibitions.
- Approving rules of play or changes to rules of play for games of chance conducted and managed by the Ontario Lottery and Gaming Corporation (OLG) at casinos, charity casinos and slot machine facilities at racetracks.
- Excluding persons from accessing gaming premises in the province of Ontario pursuant to the *Gaming Control Act, 1992* and its regulations.
- In July 2007, the AGCO was assigned responsibility for regulating the provincial lottery system. This includes registration of individuals and businesses providing services to, or on behalf of, the OLG (i.e. Lottery Retailers). The regulations governing this sector took full effect January 1, 2008.

Investigating, Inspecting & Monitoring

- Inspecting and monitoring licensed establishments to ensure compliance with the *Liquor Licence Act* and regulations.
- Inspecting and monitoring casinos, charity casinos, slot operations at racetracks and charitable gaming events/facilities for compliance with the *Gaming Control Act, 1992*, its regulations, and licensing and registration requirements.
- Conducting background investigations on individuals and companies seeking registration and licensing under the *Gaming Control Act, 1992* and *Liquor Licence Act*.
- Providing police presence at casinos, charity casinos and slot operations at racetracks.
- Conducting audits of companies registered and licensed under the *Gaming Control Act, 1992* and *Liquor Licence Act*.
- Approving and monitoring internal control systems, surveillance and security systems, and other operational systems for casinos, charity casinos and slot machine facilities at racetracks for compliance with all regulatory requirements.
- Testing, approving and inspecting slot machines and gaming systems.
- Inspecting and monitoring retailers who sell lottery tickets on behalf of the OLG.
- Investigation of insider wins involving lottery retailers, lottery retailer managers or lottery equipment suppliers.
- Investigation of suspicious lottery wins carried out by the Ontario Provincial Police (OPP) Bureau assigned to the AGCO.

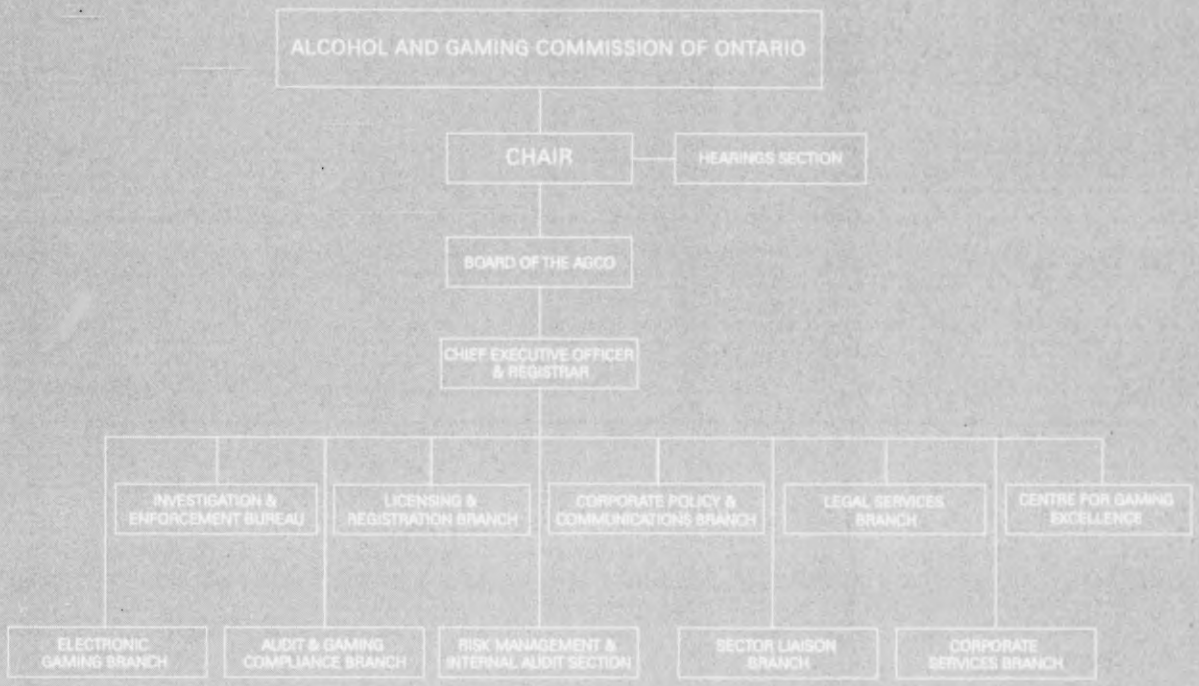
Adjudication

- Conducting hearings on proposed orders under the *Liquor Licence Act* and *Gaming Control Act, 1992*.
- Conducting hearings on the refusal of the Registrar of Alcohol and Gaming (Registrar) to licence or register under the *Liquor Licence Act* and *Gaming Control Act, 1992*.

- Conducting compliance order hearings and hearings on the wine authority's refusal to grant an approval or suspend, revoke or refuse to renew an approval to use the terms, descriptions and designations established by the wine authority under the *Vintners Quality Alliance Act, 1999*.
- Conducting public interest hearings to determine eligibility for liquor licensed premises, additions to liquor licensed premises or revocation of liquor licensed premises where the public files objections in response to a public notice advising of the request for a licence or an amendment thereof.
- Arbitrating disputes between two or more claimants for a lottery ticket prize.
- Conducting appeals of Orders of Monetary Penalties imposed on licensees, registrants or operators.

ORGANIZATIONAL STRUCTURE

The Alcohol and Gaming Commission's organizational structure is based on functional responsibilities with internal 'checks and balances' on the exercise of the agency's powers and authorities.



- Conducting compliance order hearings and hearings on the wine authority's refusal to grant an approval or suspend, revoke or refuse to renew an approval to use the terms, descriptions and designations established by the wine authority under the *Vintners Quality Alliance Act, 1999*.
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BOARD OF DIRECTORS*

The *Alcohol and Gaming Regulation and Public Protection Act, 1996* constitutes the AGCO as a corporation without share capital and requires that the AGCO shall have a Board of Directors of at least five (5) members. Board members are appointed by the Lieutenant Governor in Council, through Order-in-Council.

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NAME	POSITION	TERM
1. **David C. Gavsie**	Full-Time Chair	First Appointed: November 2005 Term Expires: October 2013
2. **Kirsti Hunt**	Part-Time Vice-Chair	First Appointed: April 1997 Term Expires: April 2011
3. **Patricia McQuaid**	Full-Time Vice-Chair	First Appointed: April 2003 Term Expires: November 2013
4. **Dianne M. Axmith**	Part-Time Member	First Appointed: April 2003 Term Expires: April 2009
5. **Jacqueline Castel**	Part-Time Member	First Appointed: April 2008 Term Expires: April 2010
6. **Beryl Ford**	Part-Time Member	First Appointed: September 2004 Term Expires: September 2009
7. **Brian Ford**	Part-Time Member	First Appointed: September 2004 Term Expires: September 2009

NAME	POSITION	TERM
8. **Allan Higdon**	Full-Time Member	First Appointed: April 2005 Term Expires: March 2013
9. **S. Grace Kerr**	Full-Time Member	First Appointed: July 2007 Term Expires: July 2009
10. **Joan Lougheed**	Full-Time Member	First Appointed: April 2008 Term Expires: April 2010
11. **Bruce Miller**	Part-Time Member	First Appointed: December 2008 Term Expires: December 2010
12. **Guy Maurice**	Full-Time Member	First Appointed: September 2006 Term Expires: September 2009
13. **Alex McCauley**	Part-Time Member	First Appointed: October 2005 Term Expires: October 2013
14. **Eleanor Meslin**	Part-Time Member	First Appointed: November 2000 Term Expires: February 2010

AGCO BOARD ACTIVITIES

Governance

The Board is responsible for the overall governance of the Commission and meets as a Board of Directors on a monthly basis. In exercising its governance functions, the Board sets goals and develops policy and strategic directions for the Commission to fulfill its mandate. This involves working with the Chief Executive Officer and Senior Management through the Board's Finance and Audit, Policies and Procedures, and Education and Public Affairs committees. The AGCO exercises its powers and duties in the public interest and in accordance with the principles of honesty, integrity and social responsibility.

The AGCO operates at arm's length from the Ministry of Government Services. Through a Memorandum of Understanding (MOU), the accountability relationships between the Chair, CEO, Minister and Deputy Minister are formalized. The MOU also requires the AGCO to operate within specified Management Board Directives which govern agencies, including the Agency Establishment and Accountability Directive.

Adjudication

The *Alcohol and Gaming Regulation and Public Protection Act, 1996* gives the Members of the AGCO Board responsibility for hearing and deciding matters under the *Liquor Licence Act, Gaming Control Act, Wine Content and Labelling Act* and *Vintner's Quality Alliance Act*. As of March 31, 2009, the Board was comprised of a full-time Chair, a full-time Vice-Chair, a part-time Vice-Chair, 4 full-time Members and 7 part-time Members. In carrying out its adjudicative responsibilities, the Board is supported by the Manager of Hearings and staff of the Hearings Department.

The Board conducts hearings and prepares decisions under the *Liquor Licence Act* and *Gaming Control Act, 1992*. The Board also conducts public interest hearings to review applications for liquor licences or additions to licensed premises where written objections to the issuance of a licence have been filed. The Board also conducts compliance order hearings and hearings on the wine authority's refusal to grant an approval or suspend, revoke or refuse to renew an approval to use the terms, descriptions and designations established by the wine authority under the *Vintners Quality Alliance Act, 1999*.

In 2008–09, the Board conducted 207 alcohol-related hearings, 37 public interest hearings, 17 gaming-related hearings plus 153 pre-hearings. While this represents a decrease in the actual number of hearings held by the Board, at the same time there has been an increase in the length and complexity of the hearings before it. The 207 hearings were heard over 331 hearing days. An increase in the number of Interim Suspension Orders has also been noted. Also, in its continuing effort to maintain service delivery and turn-around time from the date of the request for a hearing to the actual hearing date, the Board has implemented a number of administrative improvements to the adjudicative process. These improvements have resulted in the elimination of a case backlog and a significant reduction in time between receipt of a Request for Hearing by the Hearings Department to the beginning of the hearing before the Board.

Administrative procedures have been streamlined, continuing the trend of reducing the turnaround time from the initial request for a hearing to the hearing date which was 3 to 4 months in 2008–09, down from over 12 months in 2004–05. In addition, decisions of the Board are being issued, on average, about 6 months after the initial request for a hearing is made to the Board.

ALCOHOL-RELATED HEARINGS*

FOR FISCAL YEARS	2007–08	2008–09
Hearing type based on Notice of Proposal issued by the Registrar of Alcohol and Gaming		
Revoke Licence	15	8
Refuse to Transfer/Renew Licence	4	8
Review Licence Application	45	37
Suspend Licence	177	144
Attach Condition	0	0
Refuse to Remove Condition	2	10
Total Number of Hearing Days* (Includes all hearings for which a decision was issued between April 1st, 2008 and March 31st, 2009.)	372	331

PRE-HEARING CONFERENCES

FOR FISCAL YEARS	2007–08	2008–09
Number of Alcohol Related Pre-Hearing Conferences	144	153

ALCOHOL-RELATED SETTLEMENTS WITHOUT A HEARING*

FOR FISCAL YEARS	2007–08	2008–09
Number of Settlements Agreed to Without a Hearing	40	287**

ALCOHOL-RELATED PUBLIC MEETING CONFERENCE CALLS*

FOR FISCAL YEARS	2007–08	2008–09
Number of Public Meetings	67	31

GAMING-RELATED HEARINGS

FOR FISCAL YEARS	2007–08	2008–09
Total Number of Hearings	16	14

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ALCOHOL-RELATED SETTLEMENTS WITHOUT A HEARING*

FOR FISCAL YEARS	2007–08	2008–09
Number of Settlements Agreed to Without a Hearing	40	287**

ALCOHOL-RELATED PUBLIC MEETING CONFERENCE CALLS*

FOR FISCAL YEARS	2007–08	2008–09
Number of Public Meetings	67	31

GAMING-RELATED HEARINGS

FOR FISCAL YEARS	2007–08	2008–09
Total Number of Hearings	16	14

OPERATIONAL OVERVIEW

OPERATIONAL EFFICIENCIES & HIGHLIGHTS

As the regulator of the liquor and gaming industries, the AGCO strives to be fair, responsive and service-oriented. Education and awareness are key components for promoting compliance within the liquor and gaming industries throughout the province. The AGCO continues to work proactively with liquor licensees and gaming registrants to assist in the development of high marketplace standards and promote compliance. We also aim to fulfill our mandate to exercise our powers and duties in the public interest and in accordance with the principles of honesty, integrity and social responsibility. The AGCO considers social responsibility as an important principle in developing regulatory strategies and achieving its objectives.

During 2008–09, the AGCO continued to focus its activities on five key priorities identified in its business plan:

- Build More Effective Communications
- Strengthen Business Processes
- Modernize the Alcohol and Gaming Regulatory Environment
- Maximize Employee Potential
- Enhance Corporate Accountability

Key activities which supported these priorities included:

1. **Development of an Agency-Wide Compliance Strategy**
- Risk-Based Enforcement
- Risk-Based Licensing
- Monetary Penalties
- Letter of Incident process
- Public Affairs program

2. **Modernization of Regulatory Frameworks**
- *Liquor Licence Act*
- Charitable Gaming framework
- *Gaming Control Act, 1992* (to include regulation of government-operated lotteries)

3. **Development of a Corporate Human Resources Plan and Information Technology Plan**
The plans will help ensure that the AGCO meets its future workforce requirements and, through I.T., provide the foundation for enhanced communication and business processing capabilities.

KEY OPERATIONAL ACHIEVEMENTS

1. AGCO COMPLIANCE STRATEGY AND RISK-BASED ENFORCEMENT

In keeping with our overall objective of moving towards being a more compliance-focused regulator, the AGCO has developed a multi-faceted compliance strategy comprised of activities related to prevention, communication, cooperation, enforcement, education, technology and consultation. The overall compliance program is intended to ensure that licensees and registrants carry out their functions in accordance with the law and in a manner consistent with honesty, integrity, and in the public interest. For example, the ultimate goal for the gaming industry is a strategy that ensures the public—both those who engage in gaming and the public-at-large—have confidence in the honesty and integrity of the product and those who participate in making the product available to the public.

One of the key components of the compliance program is the implementation of a risk-based enforcement strategy where enforcement activities are focused on situations where risk is greater and on those licensees and registrants in each sector who pose a greater risk of non-compliance. The main objective of the strategy is to ensure that there is a high rate of compliance with the regulatory requirements in an efficient and effective manner for two important industries in Ontario.

From an operational perspective, the overall risk-based enforcement strategy is comprised of the following activities:

- Due diligence investigations
- Risk assessment
- Inspection and Audits
- Enforcement and Sanctions

The AGCO continues to develop and enhance its Risk-Based Enforcement model, which has been operating successfully in the liquor sector since November 2006. This model is used as a tool to educate and enhance compliance from the licensees and registrants regulated by the agency. The compliance strategy also involves the continued fostering of relationships which leverage an Integrated Municipal Enforcement Team approach in various municipalities across the province involving local police, fire, health, by-law and licensing authorities.

Data analysis has highlighted that this new approach is increasing compliance rates across the province (data statistics observed in Joint Force Operations—Provincially). In addition, the Risk-Based Enforcement model is being linked to new internal initiatives such as Risk-Based Licensing and the use of monetary penalties as a compliance tool in order to augment the Commission's focus on a proactive, meaningful and educational compliance strategy. This same approach is being developed and implemented for the new lottery regulatory regime; significant training initiatives have been undertaken within the agency regarding lottery compliance (this approach in the lottery sector is considered leading-edge across the country).

Liquor Enforcement

The AGCO also continues to enhance coordination with other provincial and local agencies with respect to liquor enforcement. As part of the AGCO's focus on enforcement efforts involving illegal activities in licensed establishments and to foster better co-ordination with other provincial and local agencies, enforcement staff have been trained with the knowledge and expertise required for the changing environment, and educational programs have been developed for local enforcement agencies in relation to liquor enforcement.

A significant example of extensive coordination with municipal authorities from this past fiscal year was the creation of a committee comprised of officials from the AGCO, the City of Toronto and

law enforcement agencies established to discuss issues related specifically to Toronto's Entertainment District in an effort to improve compliance and safety in the area.

2. MODERNIZATION OF REGULATORY FRAMEWORKS

A. Legislative and Regulatory Updates

During 2008–09, the AGCO worked with the Ministry of Government Services on legislative and regulatory amendments to the *Liquor Licence Act, Gaming Control Act, 1992, Alcohol and Gaming Regulation and Public Protection Act, 1996, Wine Content and Labelling Act, 2000* and other relevant legislation. Since 2007–08, the following amendments have been approved by government:

Liquor

Effective August 13, 2008, a number of housekeeping and other minor changes were made to Regulation 719 under the *Liquor Licence Act*, the most noteworthy of which included:

Extending the hours of sale and service associated with a Manufacturer's Limited Liquor Sales Licence (i.e. 'By the Glass' licence which allows Ontario wineries and breweries to sell and serve their wine and beer to patrons for consumption in single servings at their manufacturing site) to 9 p.m. from the previous cut-off time of 6 p.m.

Allowing the sale and service of alcohol in the tiered seating areas at Scotiabank Place and the Ottawa Civic Centre during the World Junior Hockey Championship games held over the course of December 2008 and January 2009.

Clarifying that patrons who bring sealed alcohol onto a licensed premise for personal use elsewhere are permitted to remove that liquor. This was a technical change that served to fulfill the intent of an amendment made during the last round of LLA regulatory amendments in 2007 which allowed patrons to bring such alcohol onto the licensed premises to accommodate Ontario shoppers and establishments located close to outlets of the LCBO/The Beer Store.

Regulation 719

Regulation 719 was amended on October 24, 2008 to allow for the sale and service of liquor in age-restricted auditoriums at movie theatres. Prior to this, movie theatres were able to apply for a liquor sales licence for a lounge or concourse area, but patrons were not able to take their drinks into the auditoriums. This initiative is a pilot program that will run until November 30, 2009.

Regulation 720 – Manufacturers

Clarify that liquor manufacturers' records must be kept for a minimum of six years for inspection purposes.

LLA Regulations – General

In considering any changes, the government takes into account that public attitudes towards the province's liquor laws are changing. It is committed to continuing to review the existing rules to ensure they are in step with marketplace realities and reflect society's current lifestyle and beliefs and to ensure that the industry operates in a socially responsible manner.

Gaming

On August 12, 2008, the Ontario Cabinet passed Order-in-Council 1413/08 ("OIC") establishing a new licensing framework for eligible charitable or religious organizations to hold charitable lottery events in the province. This new OIC replaces the previous charitable gaming Order-in-Council (2688/93, as amended).

The new OIC is designed to clarify the respective roles and responsibilities of the AGCO and municipalities in issuing charitable lottery licences. Specifically, the changes are intended to maintain the important role played by municipalities as part of the licensing process, but at the same time, provide regulatory clarification to support them in that role.

The overall direction of the new OIC was arrived at after a thorough review by the AGCO and the Ministry of Government Services, and after

extensive consultations with municipalities and charitable gaming stakeholders.

Additionally, the new OIC was updated to reflect recent changes within the charitable gaming industry, such as the introduction of the new bingo revenue model, and to make it easier to make adjustments to the types of lottery schemes which may be licensed by municipalities. Under the new OIC, for instance, the Registrar (subject to the approval of the Minister) can specify the types of lottery schemes and the maximum prize limits up to which municipalities can license. Previously, the types of lottery licences that could be issued were set out in the OIC, meaning that they could only be changed with the approval of Cabinet. Although the authority now exists for the Registrar to alter the types of lottery schemes municipalities may license, no specific changes to the present framework are immediately on the horizon.

Risk-Based Licensing

With the introduction of Section 8.1 of the *Liquor Licence Act* in 2007, the AGCO was able to take a new approach to the issuance and regulation of liquor sales licences called risk-based licensing, which allows the AGCO to encourage good business practices throughout the industry and strategically focus resources where they will make the most difference. Phase One of risk-based licensing was introduced in 11 Ontario municipalities in July 2008 and was initially applicable only to new liquor sales licence applications. In January 2009, risk-based licensing was also applied to transfers of and changes to a liquor sales licence in the Phase One municipalities.

The underlying premise of risk-based licensing is that while there is always some risk attached to the sale and service of alcohol, the AGCO recognizes that because of their type of business, location, past history, experience, etc., some establishments pose a greater risk to public safety, to the public interest and/or to non-compliance with the law. Risk-based licensing is one of several initiatives that are being implemented by the AGCO to refocus decision-making based on risk assessment, and to move toward regulation based on compliance rather than enforcement. Overall, risk-based licensing will be helpful for liquor sales licensees as this new process will assist them in operating their establishments in a safe and responsible way, and in compliance with the LLA and its Regulations.

There are four key principles behind risk-based licensing: 1) to identify persons or places that pose specific risks to public safety or the public interest; 2) to lessen any risks and ensure compliance with the LLA through the entire lifecycle of a liquor licence; 3) to reduce the administrative burden for those who pose a lower risk, where possible; and 4) to focus more AGCO resources on those establishments that pose enhanced risks.

The application of risk-based licensing can occur at any point in the lifecycle of a liquor licence, and is a three step process. During the application review process, the Registrar uses AGCO Board-approved criteria to assess the risk(s) posed to public safety and public interest, and of non-compliance with the law. Licensees/applicants are evaluated under the criteria of past conduct, liquor-related infractions, honesty and integrity, financial responsibility, and training and experience. The premises themselves are evaluated under the criteria of type, location, occupancy, activities and hours of operation.

After reviewing all the available information on both the licensee/applicant and the establishment, the Registrar assesses the risks and determines if the licence should have a Level I, Level II or Level III risk designation, or no designation. If the Registrar believes that no conditions need to be placed on a licence, or if a licensee has taken steps on his/her own to recognize and manage any risks, then the Registrar will most likely assess the licence as having no designation. These establishments (approximately 75% of all licences in Ontario) will see no change in the way that their licences are administered.

If the Registrar believes that a licensee may need more assistance and support to remain compliant

with the LLA (for example, by placing conditions on the licence, or by focusing more of the AGCO's resources on the licensee and the establishment), then the establishment will be designated at Level I, Level II or Level III. It is anticipated that only about 25% of all liquor licences in Ontario will receive a risk designation, and the majority of these will fall into the Level I category.

If the Registrar designates an establishment at Level I, Level II or Level III, he/she may attach certain conditions (from among those approved by the AGCO Board for this purpose) to the liquor licence to help address the identified risks. The Registrar may also require the licensee to submit a plan(s) to mitigate identified issues inherent to the establishment; for example, a nightclub may be required to submit a patron control plan.

Monetary Penalties

Effective January 1, 2009, the AGCO introduced monetary penalties as an additional compliance tool for licensees and registrants who have contravened the LLA, the GCA and their Regulations. The introduction of monetary penalties is another initiative aimed at achieving compliance with the law and also brings Ontario in line with the majority of other Canadian jurisdictions, which have some form of monetary penalty system.

The primary purpose of monetary penalties is to act as a bridge between a simple warning and a suspension of a licence or registration, and to provide the AGCO with an added compliance tool for working with licensees and registrants before a significant suspension or revocation may be necessary. Monetary penalties, however, will not replace the ability to suspend or revoke a licence or registration where the situation warrants, but will instead complement other compliance tools available to the AGCO.

Some serious offences under the LLA will still only be subject to suspension or revocation such as serving intoxicated patrons, serving minors and permitting narcotics. Monetary penalties are also not likely to be used in cases where repeated or very serious violations of any kind have occurred, and shall be imposed in accordance with the guidelines established by the Board.

The schedules of monetary penalties were established by the Board of the AGCO and approved by the Minister of Government Services. The ranges of monetary penalties are designed to address the specific risks posed by each infraction and by the various industries regulated by the AGCO.

The AGCO is required to use funds collected through monetary penalties exclusively for education and training programs for licensees, permit holders and registrants, as well as for public awareness campaigns, which will further promote compliance with the law in the future.

B. Charitable Gaming Update

The AGCO continued its work with the charitable gaming stakeholder groups including those involved in bingo, break open tickets, and raffles, in an effort to assist the charitable gaming sector to remain viable in a complex and competitive environment. The groups, which are comprised of charitable and industry association representatives, have provided assistance in implementing the AGCO's modernization agenda. The groups have proposed initiatives to introduce flexibility to the charitable gaming regulatory framework and have been instrumental in developing new options for the charitable gaming industry throughout the years. During 2008–09, the AGCO built on the significant strides made in 2007–08 to implement the directions and priorities identified in the Modernization of Charitable Gaming.

Key accomplishments in this area include:

One Year Review of the Revenue Model for Charitable Bingo Halls

The AGCO reviewed the results from the first year of the new bingo revenue model for pooling bingo halls that had been implemented in May 2007. One component of this review was a detailed financial analysis conducted by HLT Advisory, of the revenues and expenses for the participating

bingo halls both from the operations and charities perspectives. The new bingo revenue model is intended to provide for both stabilization of charitable gaming and opportunities to enhance the business. The opportunity to enhance the business is accomplished by providing the customer with a positive entertainment experience, using the customers' interests to drive business decisions, creating greater flexibility for games being offered, establishing a focus on the marketing of the game, and providing incentives to grow the business. The new bingo revenue model also recognizes the need to focus on the advertising and promotion of the business. The implementation of the new bingo revenue model is based on the principles outlined for modernization of charitable gaming and specifically builds on the provision of flexibility while recognizing the need for accountability. As a result of the review, including input from stakeholders, it was determined that the framework for the new bingo revenue model is appropriate at this time. Efforts to achieve compliance with all elements of the model will continue. This is essential in order to preserve this important fundraising tool for charitable groups.

The new bingo revenue model established a mechanism for an industry administered bingo development fund focused on effective marketing and advertising for pooling bingo halls across the province. The Ontario Bingo Development Fund has been established, incorporated, and projects have been initiated. This included the development and execution of Bingo Night in Ontario in November 2008, a large bingo game involving most of the halls across the province held simultaneously with the intent of increasing interest within all of the halls. Ongoing efforts are underway to conduct research that will provide tools to all industry members in order to better understand the customer and the market and make well informed advertising and marketing decisions.

Break Open Ticket Sales

The industry's Break Open Ticket Development Fund Management Committee continues with its efforts to stabilize and grow the break open ticket market in Ontario. The AGCO supported the regulatory amendment that resulted in all registered lottery retailers for OLG products to be deemed to be registered as Break Open Ticket Sellers. This provides the break open ticket industry with the potential for greater access to the market. The industry continues to realize the growing benefits of an earlier modernization initiative, the introduction of Break Open Ticket Seal Card and Bingo Event Games. These products have been introduced in bingo halls and service clubs and have been very well received by players, resulting in increased revenues for charities. The Registrar has also allowed for the introduction of progressive Break Open Ticket Seal Card games and progressive Bingo Event games, providing further flexibility and variety to the popular product within bingo halls and service clubs.

Greater Flexibility and Accountability

The Registrar remains committed to the core principles identified in the terms and conditions that focus on honesty, integrity and accountability, and requirements unique to different lotteries are reflected in specific terms and conditions and standards. The Registrar is also committed to increasing flexibility in the charitable gaming sector provided that it is balanced with clear accountability. This includes the continued monitoring of compliance and taking appropriate action in order to support the viability of the industry while maintaining a level playing field.

C. Centre for Gaming Excellence

In recognition of the growth and change within the AGCO's gaming portfolio over the years, including the addition of OLG lotteries to our regulatory mandate, the AGCO created a Centre for Gaming Excellence in November 2008. In broad terms, the mandate of the Centre is to develop regulatory best practices and gaming expertise across all gaming business lines (commercial gaming, charity gaming and lotteries) so that the AGCO will be better able to meet the challenges ahead as well as our regulatory objectives.

The Centre is reviewing all 'standards' with respect to gaming, developing and managing AGCO policies with respect to 'social responsibility' in the context of the AGCO's legislated mandate and better position the AGCO to meet new forms of gaming by more closely aligning gaming regulatory needs/risks with business and operational considerations.

The gaming marketplace continues to evolve in response to competition and consumer demand in ways that are increasingly complex, especially from a technology perspective. Furthermore, our role as a regulator is also evolving and being re-defined. As a result, AGCO gaming regulations, policies and procedures are subject to ongoing review. The Centre will play a key role in ensuring the AGCO's regulatory structure remains current and relevant to industry trends.

3. INFORMATION TECHNOLOGY PLAN

In April 2007, a five-year Strategic I.T. Plan was developed and approved by the Executive Committee. The purpose of the plan is to align technology projects with the AGCO's corporate priorities and to ensure I.T. supports ongoing business requirements. The objectives of the plan are to provide an integrated enterprise information system that will improve the flow of information, automate manual processes and provide increased availability of information throughout the organization. Through the introduction of electronic service delivery, external clients and stakeholders will be able to access and provide information that will result in improved efficiencies. Several significant projects have already been completed (Bingo Revenue Model, Deputy Registrar Review, Risk-Based Enforcement) and several are in progress (i.e. new lottery licensing system).

4. HUMAN RESOURCES PLAN

The AGCO's Human Resources Department has developed a comprehensive plan to support corporate and individual needs and includes a Staff Training Program, Staff Development Program and Succession Planning, and Employee Recognition Programs. The Commission has taken steps to operationalize the plan, including the staff training requirements survey which resulted in providing learning opportunities in fiscal 2007–08 and into fiscal 2008–09 covering such course topics as:

- Professional Effectiveness
- Performance Management
- Business Writing
- Critical and Analytical Thinking and Wellness

The Commission continues to provide learning opportunities for staff and support initiatives that create a workplace that values employees and encourages staff development. Additional learning and development initiatives are in the planning stages.

A Leadership Development Pilot program is continuing where Learning and Development plans are developed for participants as necessary. The Commission continues to provide secondment and developmental opportunities to staff as part of recruitment and retention strategy. In addition, the concept of cross training is being explored in the Licensing and Registration Branch.

A ten year service recognition program, in addition to the five year service recognition program, was introduced on the AGCO's 10th anniversary on February 23, 2008. A Corporate Employee Recognition program was introduced in late 2008 called the AGCO Award of Excellence program. The program was introduced to recognize exceptional achievement of AGCO employees. An individual award and a team award were presented to the first recipients in February 2009.

5. COMMUNICATIONS REVIEW

The AGCO retained Hill & Knowlton in November 2007 to undertake a comprehensive, agency-wide communications review. The objectives of the review were to:

- Obtain feedback from a wide range of internal and external stakeholders on the efficacy of AGCO's current communications materials, tools and methods (Annual Report, information bulletins, Notices to Industry, consultation papers, etc.), and then use this information to improve the consistency, clarity and professionalism of these communications products for stakeholders; and

- Conduct a thorough and independent review of the AGCO's visual identity and current communications vehicles, including internet and intranet sites, publications and other products, with a view to improving the overall effectiveness of the agency's communications strategy.

Results of the review were discussed with staff at town hall meetings held across the province. Based on the comments received from staff, there is room to improve the effectiveness of both internal and external communications. A three year implementation plan has been developed based on the recommendations of the review and comments received from staff.

Year one of the implementation of the results focused on a number of initiatives including establishing a visual identity standard for the AGCO. Some design elements have been introduced for publications such as Licence Line, brochures and Responsible Service tip sheets. The review also recommended a complete redesign of the AGCO internet and intranet. This project, while originally targeted for year one, is on hold pending a decision on funding for the implementation of a broader AGCO-wide Electronic Service Delivery strategy.

A survey conducted in September 2008 at AGCO Head Office and regional offices indicated that almost half of all AGCO staff felt that "significant" progress had been made in building more effective communications over the past year, which exceeded our initial performance target.

OPERATIONAL PERFORMANCE

LICENSING & REGISTRATION

NUMBER OF LIQUOR LICENSEES AND NUMBER OF PERMITS ISSUED

FOR FISCAL YEARS	2007–08	2008–09
Liquor Sales Licensed Establishments	16,652	16,663
Ferment-on-Premise Facilities	619	599
Liquor Delivery Services	270	273
Manufacturers	211	229
Manufacturers' Representatives	779	759
Total	18,531	18,523
Alcohol Beverage Advertisements Reviewed	97	59
Notices of Proposal	763	988
Special Occasion Permits Issued	59,426	56,143

LOTTERY LICENCES ISSUED BY THE AGCO

FOR FISCAL YEARS	2007–08	2008–09
Bingo	165	171
Charitable Gaming (Bingo Hall)*	13,181	8,935*
Break Open Ticket (BOT)	278	279
Raffle	183	185
Social Gaming Events	53	55
Other	5	7
Total	13,865	9,632*

The administration of the charitable lottery licensing program continues to be a two-tiered approach, with the local municipalities having some authority to issue charitable lottery licences.

LOTTERY RETAILER, RETAIL MANAGER AND LOTTERY SUPPLIER LICENCES

FOR FISCAL YEARS	2007–08	2008–09
Lottery Retailers	10,609	10,173
Lottery Retail Managers	2,296	1,875
Lottery Suppliers	23	25
Total	12,928	12,073

Commencing on January 1, 2008, the AGCO began to regulate lotteries in Ontario operated by the OLG. This required all lottery retailers, lottery retail managers and lottery equipment suppliers to the OLG to be registered with the AGCO effective January 1, 2008 (or have submitted an application by January 1, 2008), and follow specific terms in order to sell lottery products in Ontario. Registration of retailers by the AGCO began in July 2007, with no fee for initial registration.

GAMING REGISTRANTS

FOR FISCAL YEARS	2007–08	2008–09
Bingo Hall Operators	80	75
Gaming/Equipment Suppliers & Manufacturers	94	96
Break Open Ticket Sellers	4,868	555*
Gaming Assistants	3,228	3,112
Sub-Total	8,270	3,838
CASINOS AND SLOT MACHINE FACILITIES		
Gaming Suppliers	2,526	2,557
Gaming Employees	16,601	16,179
Sub-Total	19,127	18,736
Total	27,397	22,574

The charitable and casino gaming industries continue to face various challenges including reduced attendance at bingo halls, casinos, charity casinos and slot machine facilities at racetracks due to a number of factors including, non-smoking by-laws, new border crossing procedures, high Canadian dollar, and increased competition from out-of-country casinos adjacent to border cities.

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INVESTIGATION, ENFORCEMENT & COMPLIANCE

5,589 Occurrences	Approximately 5,589 occurrences at casinos and slot machine facilities at racetracks were investigated by the AGCO's Casino Enforcement Unit during this fiscal year, in addition to assisting local police with non-gaming related investigations. Only those events that result in a report being filed are considered by the AGCO's Investigations and Enforcement Bureau to be reportable occurrences. The number of occurrences has increased from approximately 4,847 occurrences last year. The increase was due primarily to the inclusion of additional occurrences not previously tracked.
46,555 Electronic Gaming Machine Inspections	Over 46,555 electronic gaming devices, including slot machines, were inspected this year without disrupting day-to-day gaming facility operations. All electronic gaming equipment and gaming management systems must be tested, approved and inspected before the equipment can be offered for patron play to ensure that it is not susceptible to cheating and meets acceptable standards of randomness, as well as hardware and software integrity and security requirements. The AGCO has Electronic Gaming Officers on-site at casinos who are responsible for inspecting new electronic gaming equipment, conducting random checks on approved electronic gaming equipment, and performing inspections on new installations and changes to slot machines.
Approval of New Electronic Gaming Machines	The average turnaround time for the approval of an electronic gaming machine during the period 2008–09 was 26 days, which ranks amongst the best in North America.
30,783 Liquor Inspections	The AGCO's Liquor Enforcement Branch continues to work closely with local law enforcement agencies on joint forces projects targeting higher risk facilities and problem establishments identified with local authorities. During this fiscal year, 27,924 inspections of liquor sales licensed establishments were conducted, together with 2,859 joint forces projects.
8,878 Lottery Inspections	As of January 1, 2008, the AGCO's Liquor Enforcement Branch has been assigned to conduct Lottery Compliance Inspections. During this first full fiscal year, 8,878 inspections were conducted at registered retail locations.
1,824 Charitable Gaming Inspections	AGCO enforcement inspectors are trained to conduct inspections at Break Open Ticket seller locations across Ontario, and have also been cross-trained to inspect bingo facilities to ensure compliance with the *Gaming Control Act, 1992*.
473 Lottery Investigations	As of January 1, 2008, the OPP Bureau assigned to the AGCO began to investigate OLG-conducted lottery insider wins (retailers or related persons) and suspicious wins. The OLG screens all prize claims above $10,000 and forwards insider claims to either the OPP or the third party investigation firm for investigation. Within the category of "related parties" (or "insiders") the OPP investigates wins by: (1) registrants (retailers, manufacturers, etc.), (2) key OLG personnel with significant decision-making authority, and (3) retailers' employees involved in the sale and redemption of tickets. The remaining persons defined as "insiders" (e.g., remaining OLG employees) are investigated by the third party investigation firm as per procedures approved by the AGCO. During this first full fiscal the OPP carried out a total of 473 investigations, comprising 174 insider wins over $10,000, 122 suspicious wins, and 177 various complaints about possible thefts, frauds, etc.

CUSTOMER SERVICE

As part of our service delivery program, AGCO staff continues to provide clients with personal service through our Customer Service Unit. During the 2008–09 fiscal year, this Unit serviced over 133,462 customer contacts, providing assistance regarding licensing and registration issues including inquiries and complaints for all AGCO business areas. This represents an increase of 3,512 more contacts than the previous fiscal year. This is in addition to handling the over 14,769 walk-in customers at the AGCO's head office Customer Service Desk, and over 42,442 customers that were able to gather information themselves through the AGCO's integrated voice messaging system.

MEDIA RELATIONS

The AGCO has adopted a proactive media strategy, communicating in a timely fashion, that helps to inform and educate the public, licensees and registrants about the AGCO's responsibilities and activities for the licensing and enforcement of the province's liquor and gaming industries. The AGCO issues targeted and timely releases, and conducts media interviews relating to changes to liquor and gaming legislation, regulation, policy, and decisions rendered by the Board. In 2008–09, the AGCO responded to 283 requests for information by the media.

AGCO WEBSITE

The AGCO is committed to providing its clients with accurate and timely information through a number of different media, including the internet. The AGCO's website (*www.agco.on.ca*) provides clients and the general public with timely and easily accessible information about liquor and gaming policies administered by the AGCO. Users of the site have access to all of the registration and licensing application forms, instruction guides and all publications, annual reports and newsletters made available by the AGCO. In 2008–09, there were over 548,000 visitors to the AGCO website.

On average, there have been approximately 110 changes to the AGCO website every year since the site was launched.

PERFORMANCE MEASURES

The 2008–09 year end results for performance measures established for the AGCO were all on target.

AGCO PERFORMANCE MEASURES – 2008/09

GOAL	OUTPUT MEASURES	OUTCOME MEASURES
SATISFIED CUSTOMERS		
To provide appropriate, fair and courteous customer service to all licensees, registrants, and the general public	Implementation of newly developed feedback/complaint process	Increase in the number of channels and/or ease which licensees, registrants and the public can provide feedback/complaints
EFFECTIVE AND EFFICIENT RESOURCE MANAGEMENT		
To ensure business processes are operating as efficiently and effectively as possible	Improved turnaround time for issuance of low risk applications	Greater resource focus placed on assessing impact of high risk applications on public safety and public interest
	Increase use of compliance tools recently enacted to achieve licensee/registrant compliance	Reallocation of AGCO enforcement resources to more serious public safety and integrity issues
INTERNAL STAFF DEVELOPMENT AND SATISFACTION		
To provide an environment that promotes open and free communication for staff	Complete and analyze the output information garnered through the communications audit	Implement the significant recommendations resulting from the 2007–08 communications audit
To provide an environment that promotes key learning and development opportunities for staff	A strong commitment to focused learning and development opportunities	Implementation of development plan to increase middle management teams' strategic leadership capacity and capability
BUSINESS/OPERATIONAL EXCELLENCE		
Risk Management strategies employed across the AGCO	Implementation of Enterprise Risk Management Strategy (corporate, branch and initiative specific strategies)	Risks strategies are employed by all areas to reduce organizational exposures and improve decision making (consistency/process)
Internal Controls strategies employed across the organization	Development of Internal Controls strategies	Internal Controls activities and strategies are employed across the organization to increase corporate accountability and governance

TARGET FOR 2008–09	RESULTS
100% of complaints investigated	100% of complaints investigated
Consistent application of meaningful criteria based on assessed risk level, used to promote licensee compliance	Phase One of Risk-Based Licensing has been implemented within the organization, which has achieved consistency in the assessment and management of liquor licensing files (within the defined Phase One scope).
50% of compliance matters resolved using new compliance tools	A gradual increase in the use of the newly enacted compliance tools has been achieved. These tools include but are not limited to Monetary Penalties, increase educational activities and outreach, etc. Over the next several years, these tools will continue to have increased use as we strive for increased level of compliance
A 20% (or significant) increase in staff satisfaction determined through an organizational satisfaction review	Results from the staff survey (Town Hall meetings, Sept. 08) indicate 45% agreed the AGCO had made significant progress in building more effective communication.
An increase in new management development opportunities for middle management staff	Focus has been placed on training and development opportunities this fiscal for middle management. These initiatives will gradually continue over the next several years in order to maintain our commitment to staff and their development.
Major cross-organization initiatives have formally documented risk management strategies and implementation plans outlining mitigation activities/controls	The implementation of risk and control measures/strategies throughout the organization, both at the entity and business unit level (through project initiatives) has been achieved.
All recommendations from the Internal Controls Audit have been implemented	

FINANCIAL PERFORMANCE

2008–09 FISCAL YEAR REVENUE & EXPENDITURES

The AGCO remits all revenues collected to the government's consolidated revenue fund (CRF) and operates within a separate budget allocation contained in the Ministry of Government Services' printed estimates. For the fiscal year ending March 31, 2009, the AGCO managed all operating expenditures within its budget allocation.

2008–09 REVENUES AND EXPENDITURES

FISCAL YEARS	APR 1, 2007 to MAR 31, 2008	APR 1, 2008 to MAR 31, 2009
REVENUES		
Fees & Levies	$505,981,798	$500,157,105
Total	$505,981,798	$500,157,105
EXPENDITURES		
Salaries and Benefits	$41,634,086	$46,017,665
Other Direct Operating Expenses	$12,880,355	$16,692,014
Less Recoveries	($15,915,001)	($22,787,551)
Total	$38,599,440	$39,922,128

Recoveries for 2008–09 include monies received from liquor licence advertisements, eligibility review investigations (applicants billed directly for costs) and for the registration and regulation of OLG lotteries (paid for by OLG).

Total program expenditures for 2008–09: $62,709,679*
Total program expenditures for 2007–08: $54,514,441

AUDIT

The AGCO is subject to Ministry of Government Services review and audit. In addition, the AGCO is subject to audit by the Auditor General and additional audits that the Minister may require.

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APPENDIX I
GAMING

GAMING: LEGAL FRAMEWORK

CRIMINAL CODE OF CANADA

The *Criminal Code of Canada* (the "Code") establishes what types of gaming activities are legal, and the provinces are assigned responsibility for operating, licensing and regulating legal forms of gaming.

Part VII of the Code prohibits gaming in general, while Section 207 (1) allows for a number of exceptions to the general prohibition. Specifically, it permits "lottery schemes" provided that they are:

- "Conducted and managed" by the province in accordance with any law enacted by that province;
- "Conducted and managed" by a licensed charitable or religious organization provided that the proceeds of the lottery scheme are used for a charitable or religious purpose; and
- "Conducted and managed" by a licensed board of a fair or exhibition or by an operator of a concession leased by that board.

"Lottery schemes" are defined under the Code but do not include: three-card monte, punch board or coin table; book-making, pool selling or the making or recording of bets; and games operated through a computer, video device or slot machine, unless the lottery scheme is managed and conducted by the province (Sec. 207(4)).

Only the government of a province can conduct and manage a lottery scheme involving dice, slot machines or other computer devices.

GAMING CONTROL ACT, 1992

The *Gaming Control Act, 1992* (formerly the *Gaming Services Act*), which was proclaimed in February 1993, provides for the regulation of gaming operations, suppliers and gaming assistants/employees of casinos, charity casinos, slot machine facilities, charitable gaming events, and registration of OLG lottery retailers, lottery retail managers, and lottery suppliers.

ORDER-IN-COUNCIL 1413/08

Order-in-Council 1413/08 (the "OIC") replaced Order-in-Council 2688/93. The new OIC clarified the rules and responsibilities of the AGCO and municipalities in lottery licensing. Additional changes were made to take into account the new bingo revenue model. The OIC provides that charitable organizations may be licensed to conduct and manage lottery events by either the Registrar appointed under the *Gaming Control Act, 1992* (the "Registrar") or, depending on the type of charitable gaming event and the value of prizes to be awarded, by a municipal council. The OIC outlines terms and conditions that apply to lottery licences. The OIC also provides that the Registrar may attach additional terms and conditions to any licences he or she issues, and that municipal councils may attach terms and conditions to licences they issue provided they do not conflict with those of the Registrar. A number of First Nations have been designated by the OIC to issue lottery licences for charitable organizations.

In order to qualify for a lottery licence, an organization must have a "charitable object or purpose". Charitable object or purpose is defined at common law and under the OIC as any object or purpose relating to:

- The relief of poverty;
- The advancement of education;
- The advancement of religion; or
- Any other purpose beneficial to the community.

The AGCO estimates money spent annually by the public on charitable gaming province-wide at approximately $1.3 billion. Licensed charitable gaming in Ontario benefits thousands of local community charitable organizations. The AGCO estimates that charitable organizations in Ontario raised approximately $167 million by holding licensed lottery events.

2008–09 ESTIMATE OF PROVINCE-WIDE CHARITABLE GAMING REVENUES

	GROSS WAGER	NET REVENUES	CHARITY PROFIT
Bingos	$651,000,000	$158,000,000	$54,000,000
Break Open Tickets	$330,000,000	$106,000,000	$41,000,000
Raffles	$292,000,000	$175,000,000	$72,000,000
Total	**$1,273,000,000**	**$439,000,000**	**$167,000,000**

AUTHORITY FOR LOTTERY LICENSING

Municipalities and the AGCO have responsibility for issuing lottery licences.

The Order-in-Council provides municipalities with licensing authority for:

- bingo events, with prizes of up to $5,500, in non pooling bingo halls and the ability to authorize charitable organizations to participate in bingo pooling halls;
- media bingo events with prizes up to $5,500;
- break open tickets for local organizations;
- raffles up to $50,000 in prizes; and
- bazaar lotteries which include: wheels of fortune with a maximum bet of $2.00, raffles not exceeding $500, and bingo events up to $500.

The Registrar is the licensing authority for:

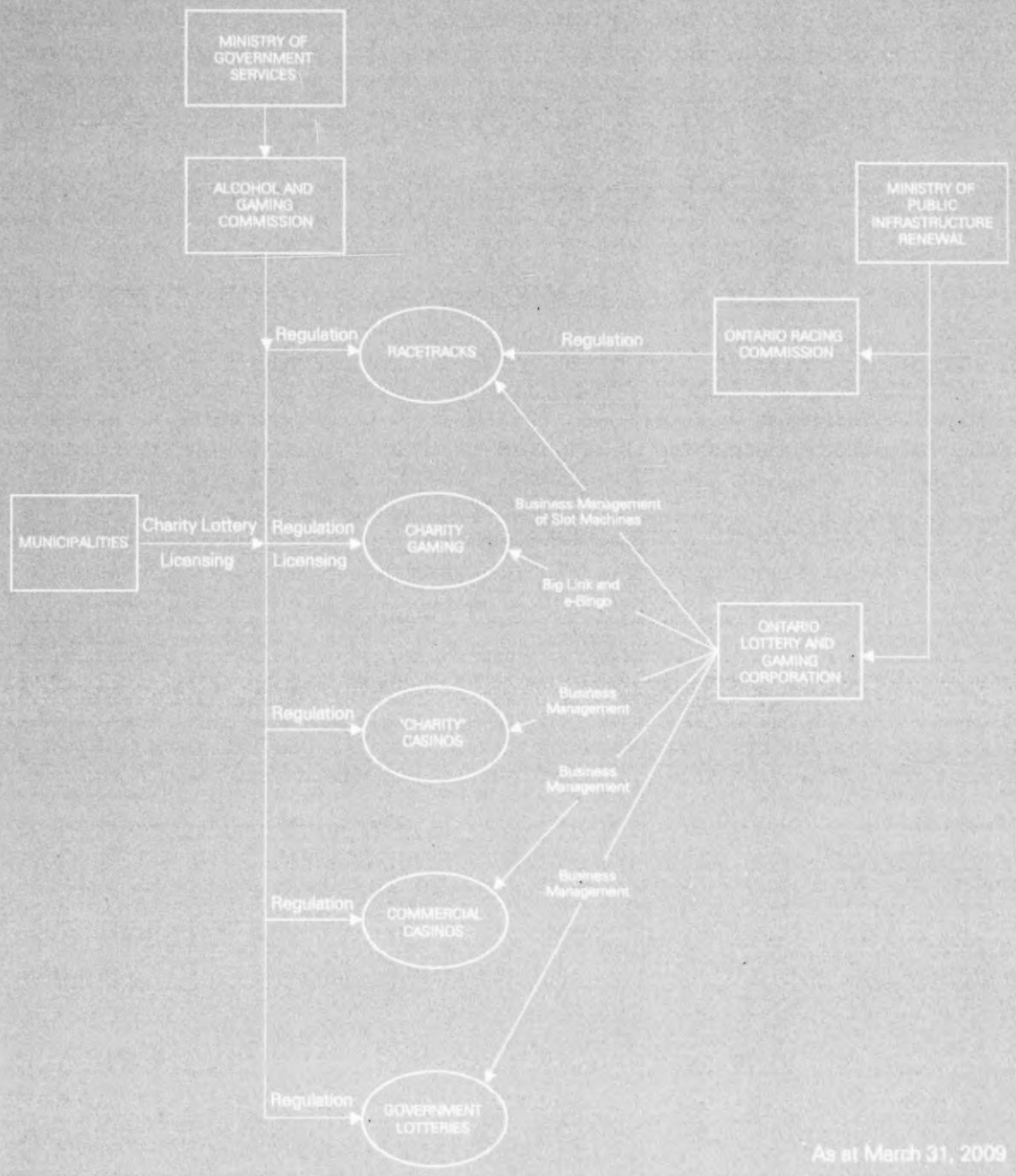
- bingo events with prizes over $5,500 in prizes in non pooling bingo halls; and all bingo events in pooling bingo halls including super jackpot bingo events; progressive bingo game events;
- social gaming events (i.e., table game event held in conjunction with a social event);
- raffles over $50,000;
- break open tickets sold in conjunction with other gaming events;
- break open tickets sold by organizations with a provincial mandate;
- fairs and exhibitions and lotteries held in unorganized territories.

The AGCO establishes the framework for municipalities to exercise their authority by establishing the terms and conditions for each type of licence, providing direction regarding determining eligibility of organizations for licensing, as well as providing assistance with compliance and enforcement. Compliance staff handles many inquiries from municipalities seeking guidance on the interpretation of licensing policies and terms and conditions. In addition, compliance staff provides information and training sessions for municipalities, licensing officers, charities and suppliers.

FIRST NATIONS LOTTERY LICENSING

In 1998, the government approved a First Nations lottery-licensing framework, which delegates authority comparable to that of municipalities to individual First Nations. An Order-in-Council (OIC) is issued to each participating First Nation. The OIC provides First Nations with authority to issue licences to religious and charitable organizations to conduct lottery schemes.

ONTARIO GAMING RELATIONSHIPS



As at March 31, 2009

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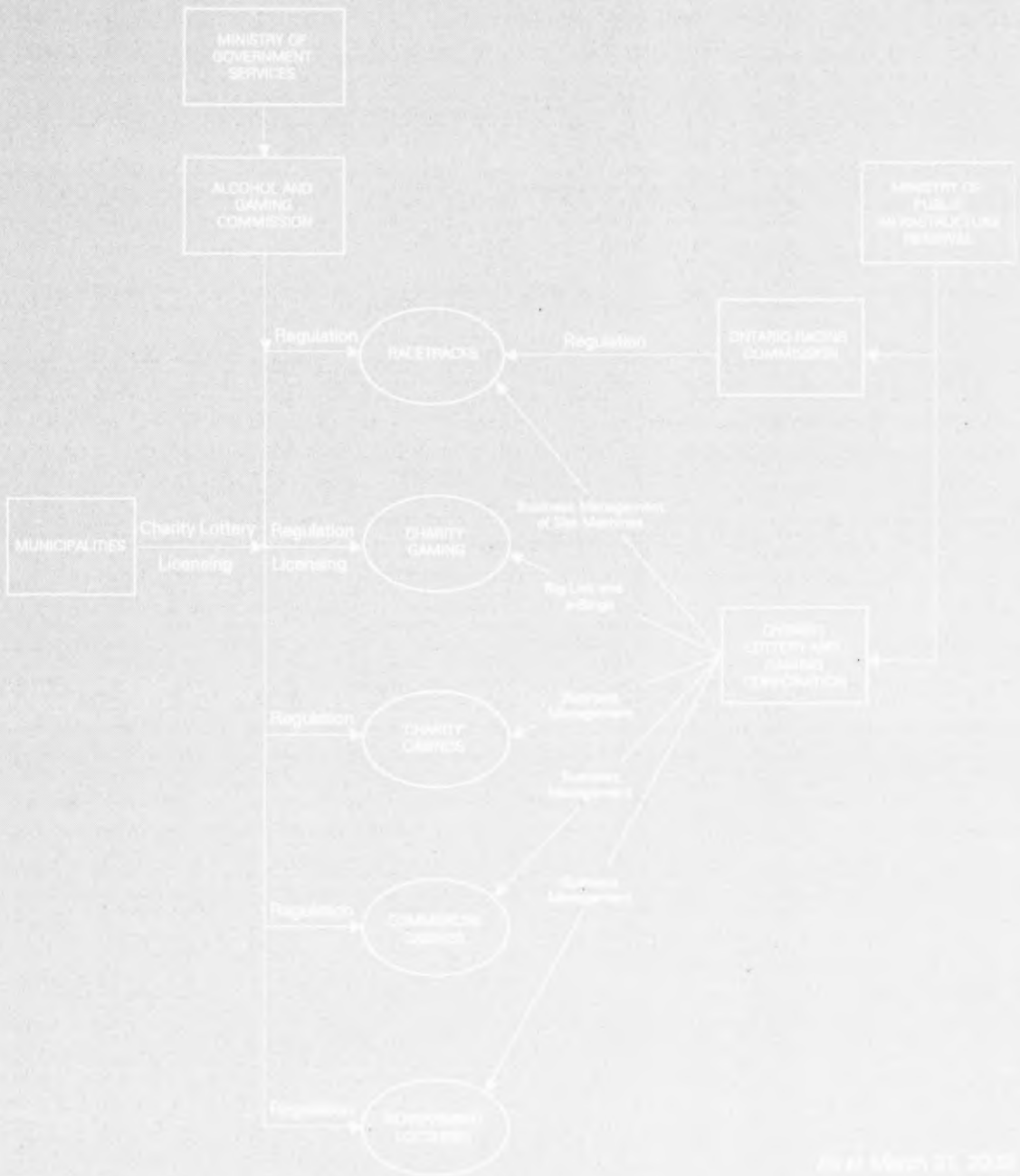

REGULATION OF ONTARIO LOTTERY AND GAMING CORPORATION

The AGCO is responsible for the regulation of casinos, charity casinos, slot machine facilities at racetracks and lotteries conducted by the OLG.

In accordance with the *Criminal Code of Canada* and the *Ontario Lottery and Gaming Corporation Act, 1999*, the OLG is responsible for the "management and conduct" of the gaming operations at commercial casinos, charity casinos, slot machine facilities, the linked "Big Link Bingo" game played at charity bingo halls and e-bingo pilots. The OLG is also responsible for the business management of all traditional lottery games such as "Super Seven", "6/49" and scratch-and-win type tickets.

Municipalities and the AGCO have responsibility for issuing lottery licences, primarily to religious and charitable organizations for bingo and break open ticket licences.

ONTARIO GAMING FACILITIES

CHARITY CASINOS	# OF SLOTS	# OF TABLES	LOCATION	OPEN TO PUBLIC
OLG Casino Brantford	513	54	Brantford	Nov 19/99
Great Blue Heron Casino	545	60	Port Perry	May 5/00
OLG Casino Point Edward	492	30	Point Edward	Apr 20/00
OLG Casino Sault Ste. Marie	446	13	Sault Ste. Marie	May 23/99
OLG Casino Thousand Island	516	26	Gananoque	Jun 22/02
OLG Casino Thunder Bay	452	15	Thunder Bay	Aug 30/00

RESORT CASINOS	# OF SLOTS	# OF TABLES	LOCATION	OPEN TO PUBLIC
Casino Niagara	1,664	62	Niagara Falls	Dec 9/96
Niagara Fallsview Casino Resort	3,031	124	Niagara Falls	Jun 8/04
Casino Rama	2,493	117	Orillia	Jul 31/96
Caesars Windsor	2,593	92	Windsor	Interim: May 94 Permanent: Jul 29/98

SLOTS FACILITIES AT RACETRACKS	# OF SLOTS	LOCATION	OPEN TO PUBLIC
Ajax Downs	256	Ajax	Mar 2/06
OLG Slots at Clinton Raceway	108	Clinton	Aug 26/00
OLG Slots at Dresden Raceway	112	Dresden	Apr 20/01
Flamboro Downs	805	Dundas	Oct 13/00
Fort Erie Racetrack	1,089	Fort Erie	Sept 11/99
Georgian Downs	455	Barrie	Nov 29/01
Grand River Raceway	200	Elora	Dec 6/03
OLG Slots at Hanover Raceway	129	Hanover	Feb 21/01
OLG Slots at Hiawatha Raceway	452	Sarnia	May 10/99
Kawartha Downs Raceway	450	Peterborough	Nov 24/99
Mohawk Raceway	863	Milton	Aug 12/99
Rideau Carleton Raceway	1,250	Ottawa	Feb 18/00
Sudbury Downs Raceway	351	Sudbury	Nov 28/99
OLG Slots at Western Fair	750	London	Sept 30/99
OLG Slots at Windsor Raceway	750	Windsor	Dec 18/98
Woodbine Raceway	2,029	Toronto	Mar 29/00
Woodstock Raceway	178	Woodstock	Jun 22/01

APPENDIX II

ALCOHOL

ALCOHOL: LEGAL FRAMEWORK

LIQUOR LICENCE ACT

The *Liquor Licence Act* (LLA) establishes the licensing and regulatory regime for the sale and service of beverage alcohol in Ontario (except for retail sale to the public by the Liquor Control Board of Ontario (LCBO)).

Various classes of licences and permits are established including:

- licence to sell beverage alcohol;
- licence for ferment-on-premise facilities;
- licence for liquor delivery service;
- manufacturers' licence;
- licence to represent a manufacturer of beverage alcohol; and
- special occasion permits for the sale and service of beverage alcohol on special occasions (for example, cash bars at fundraising events, weddings and receptions).

The LLA also establishes the rules for sale and service of beverage alcohol, including:

- no sale or service to persons under the age of 19;
- no sale or service to persons who appear to be intoxicated;
- no sale of beverage alcohol before 11:00 a.m. or after 2:00 a.m. (unless otherwise stipulated);
- no sale of illegal beverage alcohol; and
- where beverage alcohol may be consumed (residence, licensed premises, private place).

The LLA and regulations provide for an inspection and enforcement regime to ensure that licensees and permit holders are in compliance with the law and regulations relating to the sale and service of beverage alcohol.

LIQUOR CONTROL ACT [SECTION 3(1)B, E, F, G AND 3(2)A]

Effective July 3, 2001, the Alcohol and Gaming Commission of Ontario assumed responsibility from the LCBO for the following:

- To control the delivery of liquor to the public;
- To authorize manufacturers of beer and spirits and wineries that manufacture Ontario wine to sell their spirits, beer or Ontario wine in stores owned and operated by the manufacturer or winery and to authorize The Beer Store to operate stores for the sale of beer to the public;
- To control and supervise the marketing methods and procedures in stores owned and operated by manufacturers and wineries referred to in bullet 2;
- To determine, subject to the LLA, the municipalities within which stores owned and operated by manufacturers and wineries referred to in bullet 2 shall be established or authorized and the location of such stores in municipalities;
- To establish conditions, subject to any regulation, with respect to authorizations for stores owned and operated by manufacturers and wineries referred to in bullet 2; and
- To establish conditions, subject to any regulations, with respect to authorizations granted with respect to the delivery of liquor to the public.

WINE CONTENT AND LABELLING ACT, 2000

The *Wine Content and Labelling Act, 2000* specifies that an Ontario winery may manufacture and sell wine in the province using imported grape or grape products. If an Ontario winery uses imported grapes or grape products in manufacturing its wine, the content of each bottle of wine manufactured by the winery must be no less than 30% Ontario grapes or grape product.